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THE CENTRAL AMERICAS

by

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The following articles summarize the observations made by Mr. Buell during a visit to Central America this summer. In somewhat different form, the first and third articles were published originally in *The New York Times;* the second in *The New York Herald Tribune.* They are reprinted here with permission.

I. Political Progress

LYING north of the Panama Canal are five republics—Costa Rica, Salvador, Nicaragua, Honduras and Guatemala—the combined population of which is less than 6,000,000. These republics are not rich in material wealth; but they are nevertheless of great importance because of their geographic location. An isthmus about 1,200 miles in length, Central America separates the Atlantic and the Pacific Oceans. The piercing of this isthmus by the Panama Canal has made Central America of vital importance to world commerce.

According to a once prevalent view, Central America is a badman's land. Its people are supposed to be semi-savage and given to the pastime of revolution; and its governments are supposed to be corrupt. A summer's journey throughout Central America has convinced me that this picture is distorted. It is true that there is misuse of funds in these countries, but such misuse is probably not so great as that recently revealed in New York City. It is true that there have been revolutions, but it is doubtful whether during the last century revolutions in Central America have been more numerous than in many other parts of the world—certainly they have not done as much material damage. It is of some significance that while during the last few months revolutions have taken place in Bolivia, Peru, Argentina and Brazil, and have been threatened elsewhere, Central America has remained quiet. The reason may well be that the Central American republics at present are governed not by dictators but by presidents at least tolerably acceptable to articulate opinion.

When Americans compare the progress of the United States with that of Latin America during the last century they are likely to conclude that our southern neighbors are inferior people. Yet it should be remembered that unlike the United States, which is in the temperate zone and which is inhabited by peoples who have inherited European culture, Central

America is in the tropics and is inhabited by a population predominately Indian. In each of the five capitals will be found a minority which is Spanish in blood and in tradition. This minority has produced such outstanding intellectuals as Rubén Darío, the Nicaraguan poet, and José Milla, the Guatemalan historian. Nevertheless the mass of the population is still illiterate and has an extremely low standard of living. Except possibly in Costa Rica, between 50 per cent and 80 per cent of the births are illegitimate; and illegitimacy is accompanied by an extremely high rate of infant mortality. The improvement of the masses in Central America depends upon the process of popular education and economic development. There is no doubt that both of these forces are slowly at work in Central America and that while this isthmus has not yet undergone the awakening recently experienced in Mexico, material and political progress has been made in recent years.

Democracy in Costa Rica

That improvement is possible is shown by the case of Costa Rica. The principal cities of this little country are located upon a high plateau in a delightful climate. In early times the Indian tribes on this plateau disappeared so that, unlike the other Central American republics, Costa Rica is populated by people who are predominately white. Whether or not because of this racial factor, Costa Rica has made important institutional progress. It expends more upon education than upon any other department, and the percentage of illiteracy (23.6%) is much lower than in any other Central American country. This people, moreover, has set the world an example by abolishing the ministry of war and by fixing the army at about 500 men. The chief evidence of "militarism" is a large number of excellent military bands! Other indications of the quality of the country are found in the fact that Costa Rica is the only republic in Central America which has created a government monopoly of insurance and established a government mortgage bank. There has been maladministration of finance in Costa Rica; but there is a modesty and absence of ostentation among the official class which is not present in countries where corruption exists on a grand scale.

Most important of all, Costa Rica has learned to settle disputes at the polls instead of in fighting. Between 1821 and 1870 the country underwent ten revolutions; thereafter it remained in domestic peace until the Tinoco revolt of 1917. After two years Tinoco was finally driven out by demonstrations led by the women! Costa Ricans regard the Tinoco episode as a blot on their record; and they do not intend that such an episode shall recur. Elections are fair in Costa Rica, not so much because of the electoral law which, incidentally provides for proportional representation, but because public opinion has developed a sense of fair play. This spirit exists partly because the voters are more difficult to manipulate than in countries where the rate of illiteracy is much higher; and partly because

traditional party groups, such as are found in Nicaragua and, to a lesser extent, in Honduras are lacking. The historic division between Conservatives and Liberals has disappeared in Costa Rica as it has in Salvador. At each election new groups spring up and each group takes a name. The present Congress is composed of the Nationalist Union group, which supports President Cléto Gonzáles Víquez; the Republican opposition, led by Carlos Jiménez; and the Reformist group, led by General Volio. Despite these titles, the groups are personal, and they change as leaders change. Opinion in Costa Rica therefore does not become so heated over political issues as in countries where party lines are tensely drawn. President Gonzáles is never certain of a majority in Congress; consequently he cannot go to the extremes possible for a president who has congress under complete control. In Costa Rica the press is free and there are no émigrés or political prisoners.

Political Progress in Salvador

In certain respects El Salvador resembles Costa Rica. Its economic life, dependent upon coffee, is highly organized; and the country is intensely cultivated. Salvador is the only Central American country which is over-populated; but its land is held by a large number of owners. While Salvador is the only country in Central America having strong labor unions, it is not subject to party rivalry. These economic and political factors account in part for the fact that Salvador has not had a successful revolution since 1894. Nevertheless Salvador has not been a democracy in the Costa Rican sense; on the contrary, most elections have been dominated by the government. Between 1913 and 1927 the presidency was kept within the Meléndez family. Carlos Meléndez served in this position between 1913 and 1919 when he retired in favor of his brother Jorge. Jorge served until 1923 when he handed the mantle on to a brother-in-law, Dr. Alfonso Quiñónez. Under the Constitution, a president cannot immediately serve a second term. Nevertheless Quiñónez wished to continue his control following his retirement in 1927, and with this in view he dictated the selection of Dr. Romero Bosque as his successor while he induced the National Assembly, the members of which he had virtually selected, to name him First Designate or Vice-President. Apparently Quiñónez intended soon to force Romero Bosque to resign so that he might legally resume control of the government. Dr. Romero Bosque, however, turned against the man who had made him; and public opinion became so hostile that Quiñónez was obliged to emigrate to Europe. Today the power of the Meléndez dynasty is broken. President Bosque has not, however, attempted to establish a dynasty of his own. On the contrary he has been preaching the necessity of fair elections. Such a policy was successfully applied in the municipal elections last December; and the President insists it shall be applied in the presidential election which will occur in January, 1931. The chief obstacle, however,

is that there are about a dozen presidential candidates. This makes it unlikely that any one will receive the necessary popular majority. To prevent the election from being thrown into Congress, an event which might develop factional bitterness, the president has attempted to persuade the candidates to reduce their number to two—one military and one civilian. The attempt so far has failed, and a number of observers view with misgiving the approach of the election this January.

Salvador also has taken an important step within the last few months toward the establishment of parliamentary control over public funds. For many years this country, like other countries, administered its finances loosely. As a result of the campaign of a number of young men, the National Assembly this June adopted a Control Law which established the Office of Auditor-General; this official is to see that the Executive does not expend money unauthorized by Congress. In July the Assembly elected a native of Salvador, Don Hector Herrara, a man of high ability and character, to this post. Already a campaign is being waged against Mr. Herrara, who has assumed an admittedly unpopular task. Nevertheless, if he succeeds he will do much to prove that the Central Americas can manage their finances without American aid.

Fair Elections in Honduras

Honduras, the most centrally located of the five Central American republics, has already succeeded in carrying out the ideal for which Salvador is striving. This is the more remarkable because at one time Honduras had the reputation of being, with Nicaragua, the most turbulent country on the Isthmus. Between 1919 and 1923 there were thirty-four minor revolutions in the country. The last and most costly revolution, resulting in the loss of thousands of lives and of property valued at $20,000,000, was fought in 1924. In the presidential elections preceding the revolution it was generally believed that General Carías, the Conservative candidate, had won a majority. But the Congress, under Liberal control, refused to turn over the government, and after vain efforts at effecting a compromise, Carías embarked upon a revolution which finally drove the Liberals out of power. The recognition policy of the United States prevented Carías, who was one of the ablest and most popular men in Honduras, from becoming President; in his place another Conservative, Paz Barahona was chosen. He served for four years and then held what was the first free election in recent Honduran history. That this election was free is proved by the fact that the opposition candidate, Dr. Mejía Colindres, was successful. Since taking office President Mejía has repeatedly committed himself to a policy of democracy. He has asked Honduranean émigrés to return; and he has refused to suppress newspapers even when they have abused the government violently. The municipal elections held in November 1929, resulting in the victory of Red or Liberal candidates in 175 out of the 273 municipalities, were admittedly impartial as were the Congressional elections held this October.

While Mejía is a Red or Liberal, he owed his election to an alliance made with the Republicans—a group of disgruntled Conservatives, led by the late General Tosta. Although this coalition controlled the executive branches of the government, the Blues or Conservatives still controlled Congress and the Courts, including that important body, the Tribunal of Accounts. This division of power between the government and the opposition frequently led to deadlocks and paralysed administration. Nevertheless under this division both political groups felt a certain responsibility for the welfare of the country, and both secured a certain amount of patronage. In a country where politicians are accustomed to live off the budget, even to the point of starting revolutions in order to secure jobs, this bi-partisan form of government works in favor of stability.

Guatemala Dictatorship Overthrown

Guatemala has the largest population of all the Central American countries—something under two and a half million. It is, however, relatively backward for two reasons; first, because of its vast population of unassimilated Indians; and second, because for twenty-two years it was governed by an unproductive and cruel dictatorship under Estrada Cabrera. Unlike Díaz in Mexico or Zelaya in Nicaragua, Cabrera did little for the economic life of the country; on the contrary, he alienated its resources to foreigners. In common with most dictators he suppressed the freedom of the press and personal liberty. A vast spy system pried into the personal affairs of every important person and brought about the execution of innocent and guilty alike for alleged political offenses. Cabrera was not only intensely suspicious; he was also supremely egoistic. Poets and historians were employed to herald his greatness, while Temples of Minerva were erected throughout the country in which school children sang his praises. In 1920 a so-called Unionist movement was organized to drive Cabrera out of power and this movement gained such momentum that Congress finally deposed Cabrera on the grounds of insanity.

The fundamental weakness of all dictatorships is that they do not leave behind them smoothly working institutions which can carry on the administration of the country. In 1920 Guatemala attempted to move in one jump from a dictatorial to a constitutional government. The Unionists put in office a respected civilian, Carlos Herrera, who attempted to govern in a constitutional manner, but the country proved unready for democracy and Herrera was personally weak. In December, 1921, a group of Liberal generals forced him to resign, and the presidency fell to General Orellana, who had been one of Cabrera's old ministers. Following the death of Orellana in 1926 new presidential elections resulted in the choice of General Lazaro Chacon, who had been Vice-President (First Designate) under the previous government. President Chacon is still in power.

With the possible exception of the Herrera régime, the government of

Guatemala since the revolution of 1873 has been nominally in the hands of the Liberal party. At present, however, there are a number of different factions in the party; while the government is actually dominated by a group of generals. The military element is stronger in the Guatemala government than in any other government in Central America. Nevertheless the opinion is well nigh unanimous that Guatemala is today immeasurably better off than in the days of Cabrera. For the moment there is economic depression; nevertheless, except for occasional resort to martial law the people are in possession of their liberty.

Intervention in Nicaragua

The most perplexing country in Central America is Nicaragua. The people of this country are among the most cultured and intelligent in the whole of the Isthmus, and they have the reputation of being hard workers. Nevertheless Nicaragua is the scene of party hatreds between Liberals and Conservatives which are not found in any of the other four republics. This hatred in part explains the revolutions that have scourged the country and which the United States since 1910 has attempted to suppress.

The State Department has been unusually sensitive to conditions in Nicaragua because of the fear that some foreign power might obtain the right to build the Nicaragua canal, thus threatening American supremacy at Panama. In the spring of 1927 General Henry L. Stimson went to Nicaragua as the personal representative of President Coolidge and virtually told the Conservatives and Liberals that their civil war would have to end. In the famous Tipitapa agreements, the United States undertook to disarm the country and to supervise the presidential election of 1928. The first of these responsibilities unexpectedly developed into a campaign against General Augusto C. Sandino. For more than three years the United States, at one time represented by 5,000 marines, has been attempting without success to capture Sandino and his followers, who have not numbered more than 500 men. Beginning in April, 1929, the responsibility for this anti-bandit campaign was gradually transferred from the American marines to the *Guardia Nacional,* an organization composed of Nicaraguan soldiers but officered almost exclusively by Americans. This transfer has brought new energy into the campaign against Sandino; between January and September, 1930, the *Guardia* killed 126 bandits. Nevertheless the end of the bandit campaign is not yet in sight; and a number of observers believe that because of the difficult terrain of the bandit country, it will be impossible to stamp out banditry by military means. Many Honduraneans regard Sandino as a patriot, and he has no difficulty in selling stolen coffee and cattle in Honduras in return for arms. The opinion is widespread, moreover, that banditry is fundamentally an economic problem. The Nueva Segovias, the scene of

banditry, is virtually undeveloped, and many natives have turned bandit for lack of anything else to do. Observers believe that the United States made a fundamental mistake in not constructing a road between Matagalpa and Octotal. Such a road would have opened up the country to economic development and thus given the so-called bandits productive employment. Some such economic policy may even now have to be adopted, if banditry is to disappear.

Secondly, the United States has supervised the presidential elections of 1928, which resulted in the election of General Moncada, and the Congressional elections of 1930. The Americans have done an efficient job and they have been as fair as it is humanly possible to be. But some observers ask whether or not the Nicaraguans really are learning anything, or whether their sense of irresponsibility merely is being increased. They point out that Honduras and Salvador are gradually working out their own electoral problems without foreign aid. No one knows whether or not Nicaragua is making similar progress, however, simply because the electoral process is being operated by an outside force. The second criticism of the present supervision is that it discriminates against third parties and independent candidates. As a result of the American supervision of elections the rivalry of the two historic parties has been transferred from the battlefield to the polls. This is undoubtedly a gain, but it is the intense rivalry of these parties that has caused revolution in Nicaragua, and if new groupings could arise to break down this rivalry, as has been the case in other Central American countries, one of the most serious causes of revolution in Nicaragua would be removed. Moreover there are many Nicaraguans who are dissatisfied with the traditional parties and desirous of forming new groupings. At present, however, this development is obstructed by the electoral law.

In certain respects President Moncada is one of the best presidents in Nicaraguan history. His administration is honest and he is devoting much energy to a road and school program. Nevertheless he has interfered with the press and imprisoned political offenders to a greater extent than any other president now in office in Central America. One of his most high-handed acts was the suppression last October of the municipality of Managua in order to prevent the election of a personal enemy, General Murillo, as mayor. Many of these repressive acts are enforced by the American officers in charge of the National Guard and many of them are defended on grounds of putting down sedition or curbing criticism of the American occupation. President Moncada has no fear of being driven out of office by local opinion because of the support of the United States. He is thus not subject to the pressure of opinion as are the presidents in the other Central American countries.

Upon visiting Panama and Cuba, countries in which the United States also exercises a special kind of control, I found a similar situation. Panama

today is seething over the question of unfair elections, and this question has kept Cuba in turmoil for the past two years. Whether or not because of the support given by the United States the governments of these countries are more high-handed and less democratic than those in the other Central American countries which are free of American control. No doubt there are special internal conditions which help to explain the unhealthy political situation in these three countries; nevertheless many Central Americans believe that the United States has incurred a degree of responsibility for these conditions which thus far it has refused to face.

II. Foreign Enterprise

PROUD as they are of their political independence, the masses of Central America are educationally and materially backward. The rate of illiteracy runs as high as 75 per cent or 87 per cent in some countries and the mass of the population leads a primitive agricultural existence. While in each republic there is a highly cultivated élite, there has been until recently, at least, no local industrial enterprise capable of constructing first-class railroads, macadam highways, steel-spanned bridges or modern wharves. Central America is still lacking in the industrial and scientific qualities that have made the civilization of the United States. Public revenue is, moreover, so low that it is difficult to finance the construction of public works out of current revenue; and there are few citizens willing or able to buy local government bonds. Whether through inexperience or indolence, the population has so far failed to develop these countries; the per capita foreign trade figures for the Central Americas are among the lowest in the world.

Nevertheless there is a powerful minority in Central America which demands the fruits of the industrial age, such as railroads, airplanes, telephones, modern plumbing and electric lights. Not being able to create these benefits by private initiative, the Central Americas have resorted to government enterprise, or (following the example of the United States in its early history) have secured the aid of foreign capital and foreign technicians.

Despite the general backwardness of Central America, government enterprise is more extensive (relatively) than in the United States. All of the Central American governments have undertaken the construction of public works and communications; all except Salvador own railroads; government ownership and operation of telephone and telegraph systems is the rule. Three countries, Guatemala, Nicaragua and Costa Rica, maintain government banks.

The Use of Foreign Experts

In carrying on activities involving a knowledge of advanced scientific and industrial methods, the Central American governments rely upon many outside experts. The Guatemalan and Costa Rican governments make use of German electrical engineers. Four out of the five republics have employed foreign contracting firms in the construction of roads. The government of Honduras in 1920 placed the administration of the National Railway in the hands of the Cuyamel Fruit Company, an American concern later taken over by the United Fruit Company. Foreign experts have reorganized the customs administration in Guatemala and Salvador; and today Americans perform important duties in connection with customs collection in Salvador and Nicaragua. In Costa Rica an American insurance expert assists in the administration of a government insurance bank.

Moreover in Guatemala and Salvador Americans are directors of physical education. In Honduras an Hungarian is organizing a government colonization scheme. This country has also employed a German drillmaster for the army. More extensive aid has been supplied to Salvador by a Spanish military mission, now withdrawn, and to Guatemala by an American military mission, one member of which holds the rank of brigadier-general in the Guatemalan army. About 150 American marines are officering the newly established Nicaraguan National Guard.

One of the most interesting methods of securing outside advice for a national institution is being worked out in Nicaragua. Although the Nicaraguan government owns all the stock in the National Bank and the Pacific Railroad, the boards of directors of each institution contain a number of American members experienced in banking and railways. These boards hold their meetings in New York. Likewise the National Bank maintains its balances in New York; and the Nicaraguan government consults with the International Acceptance Bank before adopting any new financial measure. Responsibility for these institutions remains in Nicaraguan hands and the profits go to the Nicaraguan government, but the seat of control is located in the United States in order that the institutions may receive American advice and be removed from the pressure of local politics. At present a Nicaraguan is the manager of the railroad, while a German is manager of the bank. Last year the Nicaraguan government received a railway dividend of $440,000.

As far as roads are concerned, many Central American governments make construction contracts with foreign firms, frequently on a cost-plus basis. This system, which was attacked in the United States during the World War, finds its critics in Central America also. Following a series of disputes, the Costa Rican government in January 1930 cancelled a contract with the Simmons Construction Corporation of North Carolina, charging non-fulfillment of terms. The company declares that the gov-

ernment repeatedly interfered with its operations and has demanded compensation for violation of its contract.

In Salvador the cost-plus system has given better results. In 1922 the government made a contract with R. W. Hebrard and Company, an American concern, to pave the capital and to install a sewer and stormwater system. The construction was to be done upon a basis of cost plus 10 per cent, and construction funds were to be derived from a 10 per cent lien on the customs. For a time twenty-five foreign and twenty-five Salvadorean engineers were employed on the work, which was completed in 1929, at a saving of 7.60 per cent upon the original estimates. In 1926 the Salvadorean government adopted a similar plan for covering the country with paved roads. By means of such foreign aid a country may be provided with first-class highways, financed by current revenue. In the process local engineers acquire a practical knowledge of the best construction methods.

With a few outstanding exceptions foreign experts come to Central America in a purely private capacity. To succeed they must be not only technically well-equipped; they must be able to cooperate with the local governments. Central America shows that it is possible for industrially backward countries to receive outside expert aid without impairing political independence.

Foreign Concessions

Nevertheless although four governments own certain railways, the public utilities and communications of Central America for the most part are still in foreign hands. Usually a concern secures a concession or contract in which it promises to construct, say, a railroad at its own expense. In return it may collect rates, the maximum of which is fixed. Usually the company is exempt from taxes upon construction material, and at the end of a specified period, ranging from fifty to ninety-nine years, the property may revert to the government with or without compensation depending on the concession. It is usually provided that disputes arising out of the concession shall be settled by private arbitration.

The most important railway in Central America is the International Railways which now link up Guatemala and Salvador with the outside world. The United Fruit Company also leases the railroad in Costa Rica linking up San José with the Caribbean; and in Honduras it has constructed and now operates the Tela and Trujillo railways. In return for constructing such roads, the government has ceded the company so many acres of banana lands. For the most part these roads serve lands controlled by the fruit company.

As in the case of many other countries the ships which transport Central American coffee and bananas to the outside world are in the hands of foreign firms, and this is also true of important wharves and docks in all

five republics. Such wharves are often administered by the fruit companies, by subsidiaries of important steamship lines, or by railways. Cable communications are in the hands of the All-America Cables, while radio for the most part is under the control of the Tropical Radio Company, a United Fruit Company concern. The American and Foreign Power Company controls electric enterprises in Guatemala and Costa Rica; a Canadian concern provides electric power for Salvador. Foreigners direct the Rosario silver mine of Honduras and various gold and silver mines in Nicaragua. German planters produce more than half the coffee crop of Guatemala and Americans control the banana business generally. In large areas Syrians control the retail trade. American products literally flood Central America—canned goods, hardware, drugs, orthophonic victrolas, electric refrigerators, sewing machines, automobiles, dial telephones and even radios. Spanish-language programs are broadcast in Central America from New York while the Tropical Radio Company broadcasts similar programs from Tegucigalpa.

Despite the advance of American capital in Central America since the war, British capital is still comparatively large, and the foreign banking of Central America is for the most part in British hands.

The Collection of Foreign Loans

Central America relies upon the outside world for loans. Sometimes these loans have been made for the construction of public works, sometimes for the payment of claims and the extinction of deficits. In order to relieve the budgetary and currency strain imposed by the present depression, nearly all of the Central American governments are now seeking loans. This September the Guatemalan Congress granted the Swedish match monopoly a concession in return for a loan of $2,500,000 at 7.8 per cent. The government is also attempting to secure a $25,000,000 loan in New York. Salvador is considering a new loan to pay off a deficit and to establish a land bank; Honduras wishes a local loan to establish the lempira currency; Nicaragua would like to borrow $5,000,000 to construct roads and to start a land bank; Costa Rica is seeking funds to repay a one-year loan of a million dollars from the First National Bank of Boston.

In view of numerous defaults, the capitalist world has been reluctant to loan money to Central America without some special form of guarantee. It is customary therefore to ask for a lien upon certain revenue; while in some cases foreign customs control has been established. In Nicaragua, an American nominated by New York bankers collects the customs. After paying the debt service, this collector, who is now Mr. Irving Lindberg, turns the balance over to the local government. Largely as a result of such a receivership, customs receipts have greatly increased. A different system is followed in Salvador. Confronted by an accumulated budgetary deficit and an actual default, Salvador sought a foreign loan in 1922.

Salvador is, however, an intensely proud country and refused to consent to the establishment of a foreign receivership similar to that in Nicaragua. A compromise was finally reached whereby in return for a series of loans amounting to $21,000,000 Salvador agreed to accept a lien of 70 per cent upon the customs and to allow the bankers to appoint a permanent representative in Salvador. This representative, who is Mr. W. W. Renwick, maintains auditors in each customs house to see that there is no leakage. Salvadorean officials continue however to assess the duties. Importers pay 70 per cent of their duties to the bankers' representative, and the remainder to the government. In case the government defaults the bankers may establish a receivership. This plan has given ample security to the bankers; while from the political standpoint, full responsibility for customs assessments remains with the local government. Salvadorean officials thus are gaining considerably greater experience in administration than officials in Nicaragua. The adoption of the Salvador plan in Nicaragua is well worth consideration.

A third collection system was established in the agreement made in 1926 between Honduras and the British bondholders. About 1870 Honduras borrowed about $30,000,000 in England; there was a great deal of corruption in connection with these loans, and Honduras soon went into default. After prolonged negotiations, the British bondholders in 1926 agreed to accept the sum of $6,000,000 in final payment for the principal and arrears in interest. Honduras agreed to pay this sum at the rate of $200,000 a year. As a guarantee it promised to set aside the proceeds of a consular invoice tax. Every exporter of goods to Honduras must pay this tax, which amounts to 3 per cent of the value of the shipment, to the National City Bank of New York or one of its branches. The bank turns over these sums to the British bondholders. The tax is thus collected outside of Honduras.

With the settlement of the Honduras debt in 1926 and of the Guatemala debt in 1927, the foreign credit of Central America has been strengthened. For the time being, however, the financial situation is critical. The present trade depression has severely reduced the customs, which is Central America's leading source of revenue. Heavy retrenchments have become necessary; and some governments are in salary arrears.

Railways and Aviation

Among the various foreign enterprises in Central America today, the most impressive to the visitor are the International Railways, the Pan American Airways, and the United Fruit Company. Founded by Mr. Minor C. Keith, the International Railways of Central America is today owned by Henry Schroeder and Co., the United Fruit Company and certain British interests. This road has constructed 890 miles of track

crossing Guatemala from the Atlantic to the Pacific Coast. In January 1930 a branch was opened up from Zacapa to San Salvador, which has shortened by at least five days the shipment of freight from San Salvador to New York. The company is now contemplating starting a system of ferry boats on the Gulf of Fonseca, linking up the railway terminus at La Union with ports in Honduras and Nicaragua. Since the reorganization of the railway several years ago criticism of it has greatly decreased. The service on the International Railways is as comfortable as any tropical train service can be; and the trains run punctually, if slowly. Passenger fares seem cheap, but complaints are made that freight rates are too high. Since 1908 revenue has exceeded expenditure and in 1929 there was a net profit of $3,280,000. In the latter year the ratio of operating expenses to revenue was 61.17 per cent, which indicated a good return. In view of the fluctuation in coffee exports and the possibility of washouts, the company believes it is necessary to maintain a comparatively large reserve.

An equally great and more spectacular service is being performed by the Pan American Airways. In 1929 this American enterprise began a passenger and mail service linking the five Central American republics with each other and with the United States. The Pan American personnel impresses the visitor as being of unusually high type; and the service is run with the greatest comfort and safety. The planes are all-metal, trimotor Fords, each having a capacity of ten passengers; and they carry two pilots, a radio operator, and a steward. While several forced landings have been necessary, the company as yet has not had a fatal accident. The Pan American Airways is performing an admirable service not only for foreign travellers but for the Central Americans themselves.

The United Fruit Company

The third organization, the United Fruit Company, is one of the most successful agricultural enterprises to be found anywhere in the tropics. By dint of vision, dogged perseverance and skilled management, this company has established stately and productive banana plantations upon land along the east coast of Central America which originally was tropical jungle and coastal swamp. Today Central America exports more than 40,000,000 stems of bananas annually and the greater part of this export is due to the efforts of the United Fruit Company. Within recent years the company has cast its eyes toward the Pacific coast. A division has been opened up in Chiriqui, in Panama, and in May 1930 the company signed a contract with the Guatemalan government in which it undertook to construct a modern port on the Pacific, a railway, and a lighthouse, in return for which the government granted the company the right to administer the port and railway, including the collection of rates. It also granted exemption from certain taxes and wharf dues. For the last two

years the company has been buying land on the Pacific side, and it is expected that with the construction of this port, 6,000,000 stems annually will be exported from this district. This contract has not yet been approved by the Guatemalan Congress.

For the success of this company, which showed a net income of $20,309,000 in 1929, the combined efforts of business men, engineers, agriculturists, scientists and doctors are responsible. Twenty-five years ago the east coast of Central America had the reputation of being one of the most unhealthy places in the world. Today the fruit companies have stamped out yellow fever and other diseases and have brought malaria under control. The United pays comparatively high wages, and provides its laborers, some of whom are still Jamaicans, with equipment. The company hospitals at Quiriguá and Tela are among the best, if not the best, in Central America. In return for a fee they serve employees and non-employees alike. A system of company stores has been established where employees may purchase goods, sometimes more cheaply than from local traders; the practice of making wage advances in the form of company store coupons has been abolished. The United is probably the largest and certainly the best employer of labor north of Panama.

To develop new banana types that will withstand the devastating Panama disease, the company carries on important research work in tropical agriculture. The center of this work is at Lancetilla (Honduras), and is directed by Dr. Wilson Poponoe. In addition to pure research, the company has attempted to improve the breed of native cattle in Honduras, while together with the International Railways, it is supporting a system of agricultural instruction for native farmers in Guatemala. Dr. Poponoe's work is probably the most important contribution made by the company to the life of the people.

In contrast to the policy of the owners of oil-palm plantations in the Congo and coffee estates in Kenya, the American fruit companies have not stifled native banana production in favor of their own plantations. Taking Central America as a whole the United buys half its bananas from native producers. The longer the industry is established the greater the percentage of such purchases becomes. Thus in the oldest division in Costa Rica, the company buys about 80 per cent of its exports from native farmers.

Important as is the task of producing bananas, the task of marketing them is more important still. The banana is a delicate fruit, and if it is not cut at the right time, it reaches the market in a spoiled condition. To facilitate the sale of this product the United has built railways, wharves, and specially equipped steamers, while it has established a marketing organization in the United States and other countries.

With the purchase of the Cuyamel Company in 1929 the United elim-

inated its leading competitor. Opinions differ over the question as to whether or not the United is in a position to control the banana market. Nevertheless the American public has been provided with a three-cent banana—one of our best and cheapest fruits—for which the native producer is paid a guaranteed price by the company. Some producers complain that this price (which is usually 60 cents a stem) is too low. However, the native producer of bananas in Central America has enjoyed a comparatively stable income, in sharp contrast to coffee and sugar growers, whose returns have declined markedly during the last several years.

Generally speaking, foreign capital has bestowed a large number of material benefits upon Central America. It has provided these countries with communications on land, sea and air; it has brought about economic development; it has provided thousands of laborers with employment; it has contributed to local taxes; it has taught the native population something of modern industrial methods and hygiene. Foreign capital does not seem to have abused the laboring population in Central America as it has done sometimes in Africa and Asia. Except for peonage on Guatemalan coffee farms there is no forced labor and there have been no organized atrocities.

Nevertheless there seems to be growing criticism of foreign capital in Central America today. It is natural that a people should sooner or later wish that the economic life of their country—railways, plantations, and public utilities—should be in native rather than in foreign hands. However scrupulous foreign capital may be, the very magnitude and efficiency of a great foreign business concern may increase a sense of domestic inferiority—a feeling of being overwhelmed by an irresistible outside force.

Four Criticisms of Foreign Capital

At present four concrete criticisms against foreign capital are being made. The first concerns foreign loans. There is widespread opinion that such loans have as a rule been unproductive and have sometimes been a source of corruption. It has been difficult for a government official to resist the temptation to saddle his country with unnecessary debt, in order to split a large commission with a foreign agent. Even though a loan may be ostensibly for a productive purpose, there is no guarantee that the proceeds will not be wasted by governmental dishonesty or inexperience.

Second, it is declared that foreign enterprise pays too little taxes to local treasuries. It is customary for concessions to exempt foreign companies from the payment of duties on construction materials; and to protect such companies from extortion, these concessions usually fix a limit on other taxes that may be assessed. Thus the fruit company concessions limit the export tax on bananas to one cent a stem in Guatemala and two cents in Costa Rica. Foreign companies declare that in view of the risks

involved they pay their full share of taxes—in Honduras, for example, it is estimated that one fourth of the government revenue comes from taxes paid by American fruit companies. Responsible foreign concerns cannot moreover evade the payment of taxes as do some local individuals. Nevertheless the system of taxation in Central America is so chaotic that the general public does not know how much in taxes foreign firms actually pay. Seeing only the exemptions and tax limitations granted foreigners by concessions, the public assumes that foreign capital occupies a privileged place.

Third, Central America fears foreign monopolies. Except for the comparatively unimportant Los Altos Railway, the International Railways has a monopoly of rail transport in Guatemala. The recent purchase of concessions by the American and Foreign Power Company tends to establish an American electricity monopoly in Costa Rica. The United Fruit Company controls the shipping, railways and important ports on the east coast of Honduras and Costa Rica. It has a highly organized system of company stores, while it owns or leases a million acres of land in Central America as a whole. Although there is no land shortage in Central America today, it is not impossible that a *latifundia* problem will arise in the future.

Confronted by this vast organization, many Central Americans fear they are in danger of being exploited by a "monopoly." Merchants complain that the fruit company does not attempt to develop sources of local food supplies, but imports everything from the United States. They complain that the company stores undersell the small native or Syrian trader. Everywhere one hears the statement that it is virtually impossible for an independent concern to buy bananas from producers on the East Coast because of company control over railways and wharfs. There has been bitter complaint that the company arbitrarily rejects the fruit of local producers when market conditions are bad. In reply the company declares that it is legally obliged to keep open its railroads and wharfs to the public and it denies that it arbitrarily rejects bananas. Nevertheless as long as the United Fruit remains the sole purchaser of bananas in large areas, the local farmer will imagine that he is being exploited. Central Americans believe that when foreign enterprise becomes strong enough to exploit the community, it will not hesitate to do so if its material interests are benefited thereby.

The fourth criticism of foreign enterprise is that it sometimes exercises an improper influence over local politics. One American promoter became famous with his statement that "in Honduras it is cheaper to buy a deputy than a mule." There are still one or two notorious concession-hunters in Central America who give a bad name to foreign enterprise—and foreigners have even been charged with fomenting revolution to obtain concessions. The fruit companies have also been accused of showing

undue interest in local politics. The fact that in Honduras they pay the salary of local government officials in the vicinity of their plantations—a payment usually demanded by the government—increases the popular belief that these companies have political influence. A few years ago a serious political situation was created by the intense rivalry between the Cuyamel Fruit Company, headed by Mr. Samuel Zeemurray, and the United Fruit Company. This rivalry impeded, so it is alleged, the settlement of the boundary dispute between Guatemala and Honduras over the Motagua river. In 1927 Guatemala promulgated a concession granting lands in the disputed area to the United Fruit Company. This concession so outraged the Honduras Congress that it refused to approve a contract solicited by the Tropical Radio Company, a United Fruit Company subsidiary. A committee of the Congress declared: "The United Fruit Company is an organization which is hostile to Honduras, which is doing grave injury to our sovereignty and territorial integrity." In the 1928 Presidential elections the Cuyamel company was accused of supporting the Red (Liberal) candidate, while the United was accused of backing the Blue (Conservative). The purchase of the Cuyamel by the United Fruit Company has brought an end to this rivalry, and has tended to improve the political situation in Central America. Nevertheless the union of these two competitors has increased local fears of monopoly. At present the United follows the policy of employing, in Honduras at least, lawyers from both parties in order to avoid the accusation that it favors one or the other. Generally speaking foreigners declare that most of the charges against outside capital are made by local politicians for campaign purposes. They assert that in view of the hazardous nature of business in the tropics and the alleged difficulties of dealing with local politicians, some of whom are corrupt, foreign enterprise has not made any unreasonable profit in Central America.

Disputes with American Capital

Nevertheless criticisms against foreign enterprise in Central America have led to a number of concrete controversies. Thus in Salvador a dispute is pending between the government and an American-controlled concern over the port of La Libertad. In 1923 President Quiñónez organized a company to administer the wharf at La Libertad and to transport goods from La Libertad to San Salvador, the capital, thirty miles away. A year or so later the Panama Mail Steamship Company acquired control of this company. In 1923 and 1927 the company made contracts with the government providing for the repair of the wharf, the company agreeing to advance $260,000 for this purpose. Meanwhile public opinion had become agitated. It was contended that the company administered the wharf so as to discriminate against vessels not connected with the Panama Mail; it was claimed also that if a shipper did not use company trucks in

transporting produce to La Libertad, his goods would be poorly handled at the wharf. Moreover, many Salvadoreans believed that the repair of the wharf had not been done properly. There was general resentment that President Quiñónez had taken advantage of his official position to secure the original contract and this resentment was not lessened when an American concern purchased control. The upshot of this campaign was that in June 1930 the Salvadorean Congress cancelled the Panama Mail contract and authorized the president to recover the pier at La Libertad after paying what was legitimately due the company. The company claims that Salvador has violated its contract, and the question may eventually go to arbitration.

Honduras has been the scene of a dispute between the government and the fruit companies. In 1930 the Honduras Congress enacted two tax measures against which the fruit companies protested. The first was a law increasing the consular invoice fee from 3 per cent to 5 per cent. The fruit companies applied to the Supreme Court for an injunction against the tax on the ground that it violated their concessions, but the application was thrown out on procedural grounds. The night before the decision students and others held an anti-company demonstration in the Tegucigalpa public square. The question is still pending.

In June 1930 Congress enacted a second tax levied directly at the fruit companies. This decree imposed a tax of $12 a year per hectare on the so-called alternate lots, the proceeds of which were to go to roads and schools. In the early concessions, Honduras had granted alternate lots of land to the fruit companies in return for railway construction. It was intended that the rest of the land should remain with the government or with private individuals. Nevertheless, through middlemen, the fruit companies leased these alternate lots so as to have continuous holdings along both sides of the railway. The purpose of this new tax was not only to secure revenue but apparently to penalize the companies for having acquired the lands. The companies claimed however that the new tax was confiscatory and discriminatory and their contention was finally upheld by the Honduras Supreme Court.

Costa Rica has been the scene of an even more strenuous campaign against American enterprise. The nationalization program has gone further here than in any other Central American country. The Costa Rican government has established an insurance monopoly and several government banks; it has constructed and operates the Pacific Railway as well as the pier at Puntarenas. To escape the "menace" of American capital, in 1927 it borrowed several million dollars in Spain. (It is reported that the money was actually provided by New York banks). Finally, it has attempted to nationalize electric power and also to increase fruit company taxes.

The Electricity Question in Costa Rica

In July, 1928, the Costa Rican Congress enacted a law declaring that electric power is inalienable and the property of the state. Private electricity concessions were not to be renewed, and a national electricity commission was to regulate rates and, if desirable, establish a government electricity plant. The proponents of government ownership subsequently declared that the surplus power generated by the Pacific Railroad could be used for the purpose of lighting at least part of the city of San José.

This nationalization law came into conflict with concessions controlled by the American and Foreign Power Company, a subsidiary of the Electric Bond and Share Company of New York. Several years ago this company bought a controlling interest in three local electric light companies. All of these companies held hydraulic (or production) concessions from the central government, and distribution concessions from municipalities. A distribution concession held by one company expired, however, in 1930, while a dispute arose over the validity of a distribution concession held by a second company. Nevertheless both companies still had the right to produce electricity, and to avoid the difficulties arising out of their distribution concessions, it was arranged that they should sell their power to the third company which continued to have unchallenged distribution (and production) rights.

The Costa Rican Electric Light Commission declared, however, that the companies had no right to make this arrangement; that a company which did not have the right to distribute electricity did not have the right to sell.

A second argument arose over the question whether the companies had the right to sell electricity for purposes not stipulated in the original concessions. This clash over principles was intensified by a clash between personalities.

A heated controversy followed, which led the Costa Rican Congress in June, 1930, to enact the so-called Sanctions Law, which imposed severe penalties upon companies failing to obey the 1928 law. The two American companies, however, not only continued to sell electricity to the third, but also kept on providing electricity for certain municipalities without having any concession.

The government did not attempt, however, to enforce the law because there was no other source of electricity available. At present, rates in Costa Rica are among the lowest in the world. The companies do not charge the maximum fixed in the contract. It is contended by Americans that the proponents of government ownership in Costa Rica are animated by political ambition. Nevertheless, with the acquisition by an American concern of the three companies which had competed against each other, the Costa Ricans began to fear a monopoly. The American and Foreign

Power Company this summer sent new personnel to San José; it is not improbable that some satisfactory compromise will be found.

So far there are few signs that Central America will soon undergo a nationalistic renaissance similar to that through which Mexico has been passing. Nevertheless it is probable that the disputes in Central America over foreign capital will increase rather than diminish. It is natural that with the advance of education and industrial experience the people of these countries should desire to substitute native for foreign capital and to submit all public utilities to government control.

Revision of Concessions

Whether or not acute difficulties will arise will depend in part upon whether foreign capitalists follow a policy of enlightened self-interest in Central America. There are hundreds of petty foreign business enterprises in Central America; but the only really large concerns are the United Fruit Company and the public utilities. As a rule these large concerns are more responsible and disinterested in their dealings than are the petty business men. Nevertheless it is the large concerns that are feared, simply because of their tremendous power. While local criticism of outside capital will always exist, there are a number of gestures which foreign enterprise might make which would increase its popularity. Thus the feeling over so-called "monopolistic" privileges would be reduced if foreign concession holders would waive their present exemption from custom duties. In particular the United Fruit Company could strengthen itself throughout the whole of Central America by adopting a more vigorous policy of developing native enterprise. At present many natives produce their bananas upon land rented from the company but since they feel their tenure to be precarious, they have no incentive to build up the property. It should be to the interest of the company to develop a homestead plan whereby native producers could acquire ownership on reasonable terms. Likewise it should be possible to develop more stable labor conditions and decrease the present dependence on a fluctuating labor supply. It should also be possible to do something more to encourage systematic saving by unskilled laborers.

As for the public utilities—the railroads, the electric light and the wharf companies—it is inevitable that they should tend to be monopolistic. Nevertheless it is equally inevitable that sooner or later local opinion should demand that monopolies submit to some form of public control so that their service may be adjusted to meet changing community needs. The adoption of this principle here is being blocked by the concession system. Usually these concessions were granted many years ago often by unrepresentative, inexperienced or corrupt governments. They are usually for a long term of years. Virtually the only restriction on foreign

operation imposed by these concessions relates to rates, the maximum of which is fixed. The government regulation of public utilities will thus conflict with the terms of these concessions. Confronted by a request for revision, foreign enterprise, backed by Foreign Offices, may insist upon the inviolability of contracts. Such an insistence however would prevent the development in Central America of social control over capitalist enterprise, a control which has already taken place in the United States and elsewhere. An attempt to enforce such a doctrine upon Central America would create widespread resentment against foreign business and thus do more damage to outside interests than a policy of voluntary revision to meet new conditions.

Finally, something might be done about foreign loans. Why could not the Pan American Union work out some system of supervising foreign loans to Central (if not South) America similar to that worked out by the League of Nations for Austria and Hungary? If successful such a procedure might well supplant the existing systems of foreign customs control in Salvador and Nicaragua; while it would make sure that the proceeds of loans would be devoted to a productive purpose.

III. Foreign Relations

THE FIVE republics of Central America are among the smallest countries in the world. Their total area is less than that of the State of California; their total population is less than that of New York City; their total revenues, averaging about $45,000,000 annually, are about that of Buffalo. Out of this revenue these countries must maintain five separate governments, five separate armies, and five separate diplomatic services. Ordinary overhead expenditure is so heavy that little remains for public welfare. With the honorable exception of Costa Rica, these governments expend little for education and public health; there is not a single first-class university upon the whole Isthmus.

While some states such as Salvador have recently expended large sums upon roads, Central America as a whole is almost bereft of international communications; there is moreover little interstate trade. For example, in 1929 Nicaragua shipped only 4 per cent of its exports to other Central American countries; and purchased only 1 per cent of its imports from this source. The remainder of its trade was with the United States and Europe. Although the International Railways now cross Guatemala and Salvador from east to west, and while the two coasts of Costa Rica are linked by rail, there is no railway as yet which connects the five republics with each other. There is not even a good dirt road. The Pan Ameri-

can Airways now operates an excellent passenger and mail service from Guatemala City to Panama, and this together with the radio is proving to be a powerful factor in Central American unification. Nevertheless aviation in its present stage cannot carry freight or develop trade upon a large scale. A Union of Central America, it is plausible to believe, would be able to provide the nearly 6,000,000 people of this isthmus with educational and health facilities, with communications, and with public works, much more effectively than five separate and independent governments.

Central American Union

If these five republics were different in racial composition and historic background, their failure to unite would be easier to understand. Actually, however, they are all of Indo-Spanish culture and tradition. For three centuries they were ruled by Spain as a single whole. Today the Spanish language is spoken throughout the entire isthmus; constitutional systems are similar; and the Roman Catholic Church commands universal if nominal allegiance. If ever Briand's federal idea could find an application, it should be here.

Nevertheless the record is quite otherwise. Until recently at least the history of Central America has been a history of war. Following independence, the colonial division between Liberals and Conservatives persisted for many years, and this division has, curiously enough, been a principal cause of conflict. The Conservatives in one country actually would use forceful means to drive out a Liberal government in another country and vice versa. Thus the Liberal Nicaraguan dictator Zelaya frequently made war to establish Liberal governments under his control in neighboring countries. Cabrera of Guatemala was guilty of the same offense. Until recently the Conservatives in each of the five countries have had more in common with each other than they have had with the Liberals in their own country; the same has been true also in the case of the Liberals. The result has been a curious combination of internal revolution and international war, and such wars were fought recurrently down to 1923. In that year a Central American peace conference was held in Washington and since then the only real dispute threatening peace has been the boundary dispute over the Motagua river between Guatemala and Honduras. Thanks to the mediation of the State Department, these two governments signed a treaty on July 16 referring this dispute to arbitration. At present Central America is calm, and there are no threats of war. The only remaining disputes are the boundary controversies between Costa Rica and Panama, and between Nicaragua and Honduras.

Despite the failures of the past, the ideal of Central American Union persists. Between 1821 and 1840 the five countries were united, and within the last ninety years about half a dozen attempts at union have

been made. The most recent was in 1921 when Guatemala, Salvador and Honduras signed a federation agreement. Tegucigalpa was made the seat of the federation and a constituent assembly actually convened. In December 1921, however, the Herrera government in Guatemala was overthrown, and its successor, the Orellana government withdrew from the Union. Salvador and Honduras then threatened to go to war to force Guatemala to abide by the 1921 treaty, but the State Department at Washington warned that the United States would see with great anxiety any attempt to impose union by force. This was not the doctrine of the American Civil War, but it was accepted necessarily in Central America, and the attempted Union dissolved.

Although the ideal of Union is the only international ideal that has really gripped the people of Central America, the outlook for union today is not bright. The longer the Central American countries remain independent, the more divided they become. The wealthier states such as Salvador fear that under union they would have to pay the way of the weaker states such as Honduras. National rivalry also makes it hard to agree upon a capital. The greatest difficulty of all is that no government official wishes to lose his job; and such must be the result if union is to mean anything.

Convinced that for this reason government officials in Central America will never effect union, a political party, called the Central American Unionist party, was formed in 1898 to preach the complete union of the Central American *peoples*. This party, which has a section in each of the five countries and which is headed by Dr. Salvador Mendieta of Nicaragua, is opposed to all attempts at federation and to all treaties of cooperation between existing governments. None of these efforts, in its opinion, can bring about any fundamental change simply because they are based on the assumption that the five independent governments will continue to exist. A federation which is merely a superstructure tacked on to the existing framework would not be an advantage, according to this view, but merely an added burden. What the Unionist party demands is the abolition of the five governments in favor of a single government which would rule the whole of Central America, dividing it into about twenty provinces.

This party, which believes that any union movement should come from the Central Americas, and not from Washington, is opposed to American intervention in any form. It had planned to hold its fourth convention in Guatemala City on the 15th of September this year, but partly because of the tension between Guatemala and Honduras over the boundary question, the date has been postponed. The success of the Central American party depends upon its ability to create a strong unionist opinion outside of political and intellectual circles. Since there is at present little informed

opinion on any political subject outside of such circles, the Central American party must carry on a long educational campaign before it can hope to succeed.

Central America and the League

Apart from Central American union, the governments of the Isthmus have shown an interest in two other international enterprises—the League of Nations and the Pan American Union. Thus Dr. Gustavo Guerrero of Salvador enjoys the distinction of having served as President of the League Assembly, while at the last Assembly he was elected to the World Court. Guatemala is, moreover, a member of the League Council. There are some Central Americans who look upon the League as a potential check to the United States, but this view is seldom expressed and apparently is not widely held. From conversations with Central American leaders, it is evident that the League plays little part in the life of the Isthmus. This seems to be due to the belief that so long as the United States and Mexico do not become members, the League necessarily must remain a European concern. The decision of the Congress of Costa Rica on July 8, authorizing the return of that country to Geneva, has been interpreted to mean quickened Central American interest in this institution. Nevertheless the Congress is unwilling to rejoin the League unless it accepts a reservation in effect exempting from League inquiry Costa Rica's boundary dispute with Panama. Even if the League accepts this reservation, which would be unusual, there are some Costa Ricans who are opposed to returning to Geneva as long as the United States remains aloof. Others, however, believe that although no practical gains may result, the League, nevertheless, will give Costa Rica an opportunity to play a more prominent part in international life than if she remained isolated.

Pan Americanism has a stronger hold upon the Isthmus than has the League. In non-political matters the Pan American Union has developed a community of interests among the Latin American states, which the League has not been able to establish, at least to as great an extent, for the world as a whole. But the spirit of Pan Americanism is more important than its present procedural expression. Today the cultural tie between Central America and Europe seems to be weakening. The thesis advanced by that brilliant Uruguayan writer, Rodo, that there is a fundamental conflict between Nordic and Latin culture is apparently losing ground to Waldo Frank's American ideal.[1] Central Americans have a tremendous admiration for the material achievements of the United States, for its wealth and strength. As a matter of self-interest, they do not wish to affront this new world power.

1. Some students having a much more profound knowledge of Latin America than the author do not agree that Central America is moving culturally toward the United States. They declare that the indications of such a movement, represented by American movies and newspapers, is only skin-deep. Nevertheless I have let the above observations stand, since they represent the impressions formed by conversation with many Central Americans this summer.

An Understanding with the United States

The eyes of Central America today are not upon Europe; they are upon the United States. But these eyes are not the eyes of fear. Of several hundred Central Americans with whom I conversed there were only one or two who believed that this Isthmus would eventually become part of the United States. Everywhere in Central America there is a desire to be on the most friendly terms with the United States; everywhere there is a yearning for understanding.

At present, however, this understanding does not exist. The reason is not because of American capital or the American tariff. The first has not exploited Central America as foreign capital has exploited Africa and Asia; the second has not affected the two leading exports of Central America, coffee and bananas. Neither is the reason the Monroe Doctrine, as originally interpreted, or the Panama Canal. The chief obstacle to understanding is the anti-revolution policy of the United States which has involved Washington in Central America's internal affairs.

At present this anti-revolution policy is based upon a convention signed by the Central American states at Washington in 1923, under the auspices of the State Department. Under this treaty, which may be terminated in 1934, the five republics promise not to recognize any one as president or vice-president who has come into office as a result of revolution, or who is related to a revolutionary leader by blood or marriage. Likewise they promise not to recognize any one who is not eligible for office under the constitution of the country concerned.

A leading Guatemala paper, *Nuestro Diario,* recently stated that the effect of this convention had been "disastrous." It declared that "instead of serving the cause of democracy . . . it favors the enthronement of tyrants whose only object is to preoccupy themselves with fulfilling external formulas."

Other Central Americans believe that this recognition policy has indirectly induced revolution. For example, the action of the United States in declining to recognize Chamorro as President of Nicaragua in 1926 was interpreted by the opposition as an invitation to overthrow Chamorro. The result was a disastrous civil war. When such revolutions occur the United States has felt obliged to intervene and impose a settlement, but as a rule this intervention has not taken place until the fighting has been nearly completed and the damage done. Thus in the Honduras revolution of 1924 the United States summoned the parties to a conference at Corinto just when the revolutionists took their final objective, Tegucigalpa, and Mr. Stimson did not intervene in Nicaragua in 1927 until Moncada was at the gates of Managua. Such belated interference does not spare the country the suffering of a war that has already occurred; it does embitter the party thus deprived of achieving victory.

What is equally serious, in the eyes of the Central Americans, is that this recognition policy tends to make the United States the arbiter of internal political disputes. In Honduras and Nicaragua the American legation has been besieged in past election campaigns by candidates asking whether or not if elected they would be recognized by the United States. It is necessary for the United States to determine whether such candidates have been revolutionary leaders, or are eligible under the local constitution. In deciding these questions there is room for wide difference of opinion. When the State Department rules that a candidate is not acceptable, it is accused of making use of the treaty as a pretext to bar the candidate because he is unfriendly to American interests, and in eliminating one candidate, it is usually accused of favoring some one who remains. In 1926 the State Department refused to recognize Chamorro as President of Nicaragua, although he had won his office by a comparatively bloodless coup d'état. But the Department quickly recognized Moncada after the 1928 election although he had been leader of a bloody revolution. There was a legal basis for this distinction, yet the layman who did not grasp the legalities concerned, believed that the United States was opposed to Chamorro but favorable to Moncada. While the American legation spends a good deal of time in professing its neutrality in election campaigns, the more frequent the reiteration becomes, the more widely the contrary belief is circulated; and when Mexico decides that the United States has not properly interpreted the treaty, and backs the contending candidate, the United States feels bound to intervene for reasons of prestige.

Because of this State Department influence over presidential contests in Central America, a curious type of servility to the United States has arisen. Since the United States may veto any candidacy, under this recognition policy, most candidates during the election campaign usually become intensely *"Americanista."* Otherwise, they fear they will not receive State Department recognition. The most extreme example of this tendency arose during the 1928 presidential campaign in Panama. Here the opposition nominated as their candidate a Panamanian distantly related by marriage to the late President Wilson in the hope that this relationship would induce the State Department to supervise the coming election!

On the ground of national self-respect many Central Americans resent a situation under which presidential candidates are continually running to Washington for support. They believe, moreover, that the attempt to enforce this recognition policy is responsible for the presence of American marines in Nicaragua today; and they resent this occupation as an offense against Central America as a whole. While many Central Americans do not oppose (strongly at least) the landing of foreign troops merely to protect foreign lives in time of revolt, they vigorously object to the attempt of the United States to bring about fundamental changes in the internal life of these countries by a show of military force. They also believe that

it is fundamentally unjust to attempt to deprive Central America of the right to revolt against abuse which other countries of the world have so frequently exercised.

The Bryan-Chamorro Treaty

A second obstacle to understanding between the United States and Central America is the Bryan-Chamorro treaty. This was a treaty signed in 1914 whereby Nicaragua granted the United States a right to build the Nicaragua Canal, and also a naval base upon the Gulf of Fonseca. The great majority of Central Americans seem to favor the immediate construction of the Nicaragua Canal by the United States but only on condition that the rights of the Central American countries to this canal are respected. In 1848 Nicaragua promised not to enter into any arrangement for this canal without first consulting Costa Rica. Yet Nicaragua ignored this provision in signing the treaty of 1914. Likewise in ceding to the United States the Fonseca naval base, Nicaragua ignored the contention of Honduras and Salvador that the Gulf was a condominium and that this base could not be established without the consent of all three powers. Although the Central America Court of Justice upheld the claims of Costa Rica and Salvador, both Nicaragua and the United States ignored the decision. The court has gone out of existence and the Bryan-Chamorro treaty is still in force.

The only effort to remove this basis of Central American criticism was made in 1923 when Mr. Hughes signed a protocol recognizing the rights of Costa Rica in the San Juan River (part of the canal route) and promising to negotiate later in regard to the ownership of the canal. The protocol was denounced in San José by ex-President Don Ricardo Jiménez who warned against any pact which would place Costa Rica in a position of military dependence upon the United States. Popular sentiment against the protocol was so strong that it was withdrawn from the Costa Rican Congress.

While the United States has not constructed the base in the Gulf of Fonseca, the American Congress did authorize last year the survey of the Nicaraguan canal route by a canal commission, composed of American army engineers. The presence of this commission in Nicaragua has revived discussion of the Bryan-Chamorro treaty throughout Central America.

During the past summer rumors have been current that the United States intended soon to construct the base in Fonseca Gulf. Such rumors inevitably excite the Central American press, and lead to criticism of the United States. Thus, *El Sol* of Tegucigalpa recently denounced the report that the United States was considering the purchase of the rights of Salvador and Honduras in the Gulf, asserting: "there is no nation, however powerful who can buy" these rights. The Society of Lawyers of Honduras appointed a commission to look into the rumor. Moreover,

when an American warship and naval engineers inspected possible seaport sites in the Gulf of Fonseca this August "on behalf of the Nicaragua government," the cry against a naval base again arose despite a State Department denial that construction of this base was involved.

In this age of armament treaties, it is doubtful whether the American people will consent to the establishment of a new naval base—in Central America or elsewhere. Panama is already an arsenal, and the need for a new base will not be affected by the construction of the Nicaraguan Canal, if indeed this ever takes place. The Gulf of Fonseca is about 300 miles north of Brito, the Pacific outlet proposed for the canal—too great a distance to make a base there a factor in canal defense.

In view of the unlikelihood of the construction of the Fonseca base, Central Americans point out that the United States has little to lose in revising the Bryan-Chamorro Treaty. What many of them would like to see would be a Pan American treaty authorizing the construction and operation of the Nicaraguan Canal by the United States, but throwing such a canal open to the whole world upon a basis of equality and neutralization.

A Central American Conference

It is possible that the Hoover administration might consider summoning a Central American conference for the purpose of discussing the policy of recognition, the Bryan-Chamorro treaty, and other matters of common interest. Such a conference would go far toward placing our relations with Central America upon a thoroughly friendly basis.

To this conference the government of Mexico should be invited. The United States has nothing to fear in Central America from Japan, or from England or from Argentina, or from the League. Our only possible rival in this area is Mexico, a country which is linked to Central America by history, propinquity and blood. The power of Mexico was felt by the United States when Mexican arms and Mexican propaganda went to the aid of Sacasa against the American-backed Díaz in 1926. The question of whether Central America remains at peace will depend largely upon whether Mexico and the United States follow joint or antagonistic Central American policies. In 1907 President Díaz of Mexico backed President Regalado of Salvador in a war against Cabrera of Guatemala. A bad situation was brought to an end when President Roosevelt invited Díaz to cooperate with the United States in a Central American peace conference. The State Department did not, however, invite Mexico to participate in the Central America conference of 1923, nor did it consult Mexico or any other Latin American state in regard to the Nicaraguan trouble of 1926. The result is well-known. Thanks to Ambassador Morrow, the relations of the United States and Mexico are now on a different basis, and the effect is clearly visible in Central America.

Although criticisms of American policy are heard in Central America today, there is surprisingly little real anti-American feeling. The inauguration of President Hoover, his good-will tour, and his declarations against the occupation of these countries by marines, have had a pronounced effect. Of equal importance have been Mr. Hoover's diplomatic appointments. In the past the Central American diplomatic posts have been among the most responsible, yet for climatic and social reasons, the least desirable in the service. Frequently these posts have been bestowed upon incompetent politicians. Thanks to the Rogers Act and Mr. Hoover, this situation has changed. All of the American ministers in Central America—Whitehouse in Guatemala, Robbins in Salvador, Lay in Honduras, Hanna in Nicaragua and Eberhardt in Costa Rica—are career men. All speak Spanish fluently. One does not have to agree with all of their views to state that they would do credit to any diplomatic service and to any post. But fundamentally the improvement of our relations with Central America will not depend so much upon new personalities as upon the application of new principles such as would be involved in the reconsideration of our recognition policy and of the Bryan-Chamorro treaty.

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THE AMERICAN SUPERVISION OF ELECTIONS IN NICARAGUA is to be published December 24. This report will discuss the efforts of the United States to give Nicaragua fair elections, and will also analyze the results of this policy.

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